

COMMISSIONERS
KRISTIN K. MAYES - Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP



0000095230

ARIZONA CORPORATION COMMISSION

RECEIVED

ORIGINAL

April 8, 2009

2009 APR -8 P 1:41

CERTIFIED MAIL

AZ CORP COMMISSION
DOCKET CONTROL

Mr. Greg Sorensen, Director of Operations
Litchfield Park Service Company
12725 West Indian School Road, Suite D-101
Avondale, Arizona 85392

RE: LITCHFIELD PARK SERVICE COMPANY - APPLICATION FOR A RATE INCREASE
DOCKET NO. W-01427A-09-0104

LETTER OF DEFICIENCY

Dear Mr. Sorensen:

In reference to your rate application received on March 9, 2009, this letter is to inform you that your application has not met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103. Staff has found a number of deficiencies with the rate application which are listed on a separate attachment. The 30-day sufficiency determination period will begin anew when the Company corrects the deficiencies and Docket Control receives an original and 15 copies of the corrected pages.

You have 15 calendar days, or until April 23, 2009, to correct the deficiencies, or make other arrangements with Staff to remedy your rate application. If corrections or other arrangements are not made by that date, Staff will request the docket number be administratively closed. Docket Control will retain one copy of the original application for Commission records. You may file an original and 15 copies of an updated application at a later date.

The Staff person assigned to your application is Jeffrey M. Michlik. He can be reached at (602) 364-2034, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

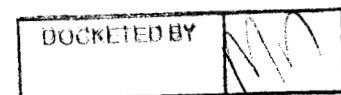
Elijah Abinah
Assistant Director/Acting Chief Accountant
Regulatory Analysis Section
Utilities Division

EOA:JMM:tdp

CC: Docket Control Center
Vicki Wallace, Consumer Services
Delbert Smith, Engineering
Lyn Farmer, Hearing Division

Arizona Corporation Commission
DOCKETED

APR - 8 2009



LITCHFIELD PARK SERVICE COMPANY
Rate Application
Docket Nos. W-01427A-09-0104 and SW-01428A-09-0103
Test Year Ended September 30, 2008
List of Deficiencies

The specific items that have caused a finding of deficiency are as follows:

Water Division

1. The initial plant balance on Schedule B-2, page 3.11 line 40, \$10,712,061 does not reconcile to Decision No. 65536. In Decision No. 65536 the settlement summary rate base is \$5,909,975 (see attachment), which corresponds to Staff's direct testimony schedule for the water division. Please reconcile your amount to Staff's direct testimony schedule amount for plant.
2. The initial accumulated depreciation balance on Schedule B-2, page 3.12 line 40, \$1,952,022 does not reconcile to Decision No. 65536. In Decision No. 65536 the settlement summary rate base is \$5,909,975, which corresponds to Staff's direct testimony schedule for the water division. Please reconcile your amount to Staff's direct testimony schedule amount for accumulated depreciation.
3. On Schedule E-5 the plant balance should be at 9/30/2007 not 12/31/2007. Schedule E-1 should reconcile to E-5, and A-3. Please correct.
4. Schedule C-2, page 5.4 does not have a total for the year. Please correct.
5. On Schedule C-2, page 5.10 why does it say rejoinder schedule? Please correct.
6. On Schedule C-2, page 14, line 21 equity of \$53,027,765 does not match the sum of the water division Schedule E-4 in the amount of \$30,076,954 plus the waste water division equity amount of \$22,854,962 Schedule E-4. The difference is \$ 95,849 (i.e. 53,027,765 - 52,931,916). Please reconcile.
7. Schedule G-4, page 2, line 14, does not cross foot. Please correct.
8. On Schedule G-6, page 1, the customer total line is unreadable. Please correct.
9. The bill count (Schedule H-5) does not produce the metered revenue shown in Schedule H-1. Please correct the bill count and/or revenue and/or provide a reconciliation as appropriate.
10. Referring to the application's Schedule H-3, page 2; please correct the title to show the Company's name instead of Diablo Village Water Company and provide the block ranges consistent with the authorized tariff.
11. On Schedule H-3, page 3, line 6 the correct rule noted should be R14-2-408F. Please correct.
12. On Schedule H-3, page 3, line 8 the NSF charge is \$20.00 not \$25.00.

LITCHFIELD PARK SERVICE COMPANY
Rate Application
Docket Nos. W-01427A-09-0104 and SW-01428A-09-0103
Test Year Ended September 30, 2008
List of Deficiencies

13. On Schedule H-3, page 4, lines 9 through 11, total present charges should be:

- 5/8" x 3/4" Meter \$225
- 3/4" Meter \$225
- 1" Meter \$300

Please correct.

14. Referring to the application's Schedule H-4, page 15; please provide the appropriate meter size (5/8 Inch vis-à-vis 58 Inch).
15. Referring to the application's Schedule H-4, page 16; please provide the appropriate meter size (3/4 Inch vis-à-vis 34 Inch).
16. Referring to the application's Schedule H-4, page 18; please provide the appropriate meter size (1 1/2 Inch vis-à-vis 15 Inch).
17. Referring to the application's Schedule H-5, page 10; please provide the missing "Usage" for the last four bills.
18. Referring to the application's Schedule H-5, page 11; please provide the missing "Usage" for the last four bills.
19. Referring to the application's Schedule H-5, page 12; please provide the missing "Usage" for the last four bills.
20. Referring to the application's Schedule H-5, page 15; please provide the appropriate meter size (5/8 Inch vis-à-vis 58 Inch).
21. Referring to the application's Schedule H-5, page 16; please provide the appropriate meter size (3/4 Inch vis-à-vis 34 Inch).
22. Referring to the application's Schedule H-5, page 18; please provide the appropriate meter size (1 1/2 Inch vis-à-vis 15 Inch).
23. Referring to the application's Schedule H-5, page 21; please provide the missing "Usage" for the last bill.
24. On Schedule H-1, page 2, for the 5/8 inch meter customer the additional gallons to be pumped amount is incorrect and does not reconcile to the C-2 annualization schedules. Please correct.
25. The Corporations Division of the Arizona Corporation Commission reports that the Company's Corporation status is not in good standing. The Company has failed to submit its annual report that was due on January 21, 2009. Please correct.

LITCHFIELD PARK SERVICE COMPANY
ACC Docket Nos. W-01427A-01-0487 & SW-01428A-01-0487
Test Year Ended December 31, 2000

Settlement Summary

| DESCRIPTION | TOTAL COMPANY | WATER DIVISION | SEWER DIVISION |
|-----------------------------|------------------|-------------------|-------------------|
| Rate Base | \$14,601,802 | \$5,909,975 | \$8,691,827 |
| Test Year Revenues | \$3,521,901 | \$1,683,603 | \$1,838,298 |
| Test Year Expenses | 2,922,213 | 1,611,872 | 1,310,341 |
| Test Year Operating Income | \$599,688 | \$71,731 | \$527,957 |
| Rate of Return Requirement | 8.535% | 8.535% | 8.535% |
| Required Operating Income | \$1,246,264 | \$504,416 | \$741,847 |
| Operating Income Deficiency | \$646,576 | \$432,685 | \$213,890 |
| Revenue Conversion Factor | 1.6834 | 1.6834 | 1.6834 |
| Increase in Gross Revenues | \$1,088,446 | \$728,383 | \$360,063 |
| Percentage Increase | 30.91% | 43.26% | 19.59% |

LITCHFIELD PARK SERVICE COMPANY
Test Year Ended 12-31-00

=====

CALCULATION OF SETTLEMENT
REVENUE REQUIREMENTS

=====

| DESCRIPTION | WATER DIVISION | SEWER DIVISION |
|----------------------------------------------|-------------------|-------------------|
| Weighted Cost of Debt | 1.49% | 1.49% |
| ACC Staff Rate Base | \$5,909,975 | \$9,177,327 |
| Settlement Adjustment | | (\$485,500) |
| Settlement Rate Base | \$5,909,975 | \$8,691,827 |
| Interest Expense | \$88,059 | \$129,508 |
| Staff Operating Income Statement - Adjusted: | | |
| Revenues: | | |
| Per Staff Report | \$1,683,603 | \$1,879,388 |
| Duplicate Establishment Charges | | (41,090) |
| Total Revenues | \$1,683,603 | \$1,838,298 |
| Operating Expenses: | | |
| Per Staff Report - Before Inc Taxes | 1,576,654 | 1,059,871 |
| Plus: | | |
| Additional Testing Expenses | 5,298 | |
| Merit Pay - 50% | 20,758 | |
| Manager's Bonus - 50% | 9,027 | |
| SunCor Overhead Expenses | 10,400 | |
| Total Operating Exp. Before Taxes | \$1,622,137 | \$1,059,871 |
| Operating Income Before Taxes | \$61,467 | \$778,427 |
| Less: Interest Expense | (88,059) | (129,508) |
| Taxable Income | (\$26,592) | \$648,919 |
| Income Taxes @ 38.598% | (\$10,264) | \$250,470 |
| Total Operating Expenses | \$1,611,872 | \$1,310,341 |
| Operating Income | \$71,731 | \$527,957 |
| Rate Base | \$5,909,975 | \$8,691,827 |
| Rate of Return | 8.535% | 8.535% |
| Operating Income Requirement | \$504,416 | \$741,847 |
| Operating Income Deficiency | 432,686 | 213,890 |
| Gross Revenue Conv. Factor | 1.6834 | 1.6834 |
| Increase In Gross Revenues | \$728,383 | \$360,063 |
| Percentage Increase | 43.26% | 19.59% |

| Rate of Return Calculation: | Cost | Weighted Cost |
|-----------------------------|--------|------------------|
| Long-Term Debt - 25.74% | 5.770% | 1.485% |
| Common Equity - 74.26% | 9.494% | 7.050% |
| Total Cost of Capital | | 8.535% |